

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

SP-02 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01

OIC-02 AF-08 ARA-06 EUR-12 NEA-10 /114 W
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FM AMEMBASSY MANILA

TO SECSTATE WASHDC NIACT IMMEDIATE 1025

INFO AMEMBASSY TAIPEI PRIORITY

SECTREAS WASHDC PRIORITY

C O N F I D E N T I A L MANILA 15303

TREASURY FOR RUSSELL MUNK

E.O. 11652: GDS

TAGS: EIFN, IBRD, TW, CH

SUBJECT: IMF/IBRD ANNUAL MEETINGS: CHINESE REPRESENTATION
REF MANILA 15277

1. AS OF EVENING SATURDAY, OCTOBER 2 NEITHER US DEL,
ROC DEL NOR IMF MANAGEMENT HAS ANY CONCRETE INDICATION
THAT ANY DEL PLANS TO OFFER A RESOLUTION ON CHINESE
REPRESENTATION. OUR PRESUMPTION, SHARED BY ROC DEL,
IS THAT PRC IS NOT INTERESTED IN IMF PATRICIPATION AT
THIS TIME. THEREFORE SHOULD PRC GENERATE A RESOLUTION,
IT PROBABLY WOULD TAKE THE FORM OF MOVE TO EXPEL ROC,
PLUS PERHAPS SOME COMMENT ON CHINESE ASSETS IN THE FUND.
IT DOES NOT APPEAR LIKELY THAT A RESOLUTION WOULD CLAIM
CHINESE IMF ASSETS FOR PRC SINCE THIS PRESUMES MEMBER-
SHIP OF THE PRC AND ASSUMPTION OF ALL THE OBLIGATIONS
OF MEMBERSHIP.

2. OUTLINED BELOW ARE: A. CURRENT STATUS OF ISSUE AND
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B. HOW U.S. DELEGATION PLANS TO PROCEED, UNDER CURRENT

GUIDANCE, IN VARIOUS CONTINGENCIES, AS BEST WE CAN NOW FORESEE THEM. IMF STAFF IS EXAMINING PROCEDURAL POSSIBILITIES FURTHER WHICH MAY PRODUCE FURTHER REFINEMENTS BY MONDAY.

A. STATUS OF ISSUE

THE IMF MANAGEMENT HAS RECEIVED A LETTER FROM THE PRC STATING IN ESSENCE THAT THE ROC IS NOT ENTITLED TO REPRESENT CHINA IN THE IMF; THAT ALL ASSETS OF CHINA IN THE IMF ARE ASSETS OF THE CHINESE PEOPLE; AND THAT THE STATE BANK OF CHINA IS THE ONLY ENTITY ENTITLED TO ADMINISTER THOSE ASSETS.

PLUS THE PRC HAS GOTTEN MUCH CLOSER THAN ITS MOVES IN 1973 AT THE ANNUAL MEETING IN NAIROBI TO CLAIMING THAT THE PRC, NOT THE ROC, REPRESENTS CHINA IN THE IMF. THE PRC LETTER DOES NOT, HOWEVER, STATE THIS EXPLICITLY, AND THE LETTER, ACCORDING TO IMF MANAGEMENT, REMAINS AMBIGUOUS. (A SIMILAR LETTER HAS NOT BEEN SENT TO THE IBRD WHICH HAS SUBSTANTIAL LOANS OUTSTANDING TO CHINA.)

THE LETTER HAS NOT BEEN CIRCULATED TO MEMBERS, AND THE IMF MANAGEMENT DOES NOT INTEND TO CIRCULATE IT UNTIL AFTER THE ANNUAL MEETING. NONETHELESS, IT APPEARS TO

BE QUITE POSSIBLE THAT THE CHINA MEMBERSHIP QUESTION WILL BE RAISED AT THE ANNUAL MEETINGS. IT IS MOST LIKELY THAT, IF RAISED, THE ISSUE WOULD TAKE THE FORM OF A RESOLUTION THAT THE IMF:

- (1) WITHDRAW RECOGNITION OF THE ROC; OR
- (2) SUBSTITUTE THE PRC FOR THE ROC AS THE GOVERNMENT REPRESENTING CHINA IN THE FUND.

THERE ARE SEVERAL POSSIBLE WAYS TO PREVENT THESE RESOLUTION FROM BEING VOTED ON BY THE BOARD OF GOVERNORS AT THE ANNUAL MEETING.

(1) THE CHAIRMAN (SYRIA) COULD RULE THE QUESTION IS MOOT BECAUSE AN APPARENTLY RELATED ISSUE OF ROC EXPULSION IS PRESENTLY BEFORE THE EXECUTIVE DIRECTORS. (THE CHAIRMAN HAS INDICATED TO IMF MANAGEMENT HE INTENDS FOR THIS ISSUE TO BE HANDLED IN A LOW-KEY MANNER, BUT IT IS NOT PREDICTABLE AT THIS POINT WHAT HIS RULINGS ON ANY PARTICULAR MATTERS RAISED MIGHT BE).

(2) IF THE CHAIR DOES NOT RULE IN THIS MANNER OR IF
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THE RULING IS CHALLENGED ON THE FLOOR AND A RESOLUTION FOR PRC MEMBERSHIP OR ROC EXPLUSION IS RAISED, AN AMENDING RESOLUTION (WHICH IS VOTED ON BEFORE THE MAIN RESOLUTION) COULD BE INTRODUCED REFERRING THE MATTER TO THE EXECUTIVE DIRECTORS FOR THEIR CONSIDERATION, OR

(3) THE ISSUE COULD BE REFERRED TO THE PROCEDURES COMMITTEE (LIST OF MEMBERS IN PARAGRAPH 3) UPON A PROPOSAL BY THE CHAIR (IF THE PROPOSAL IS CHALLENGED BY A MEMBER ON THE

FLOOR, THE MEETING WOULD VOTE ON THE HAIR'S PROPOSAL).

WE AND THE FUND MANAGEMENT PREFER THE FIRST OR SECOND APPROACH.

SAUDI ARABIA HAS INDICATED IT WILL INTRODUCE AN AMENDING COUNTER-RESOLUTION, IF IT IS NECESSARY, TO COMMIT THE PRC LETTER FOR STUDY TO THE EXECUTIVE DIRECTORS (COPY OF DRAFT AMENDING COUNTER-RESOLUTION AT PARA 4). ANOTHER MEMBER WILL ALSO BE NEEDED TO SECOND THE RESOLUTION. WE ARE APPROACHING SEVERAL DELEGATIONS IN ORDER TO AVOID HAVING THE U.S. IN THE POSITION OF SECONDING THE COUNTER-RESOLUTION.

B. HOW DEL INTENDS TO PROCEED

WE WILL TRY TO GET CHAIRMAN AND IMF STAFF TO ATTEMPT RULING THAT QUESTION IS MOOT, REQUESTING SPONSOR OF ANY RESOLUTION TO WITHDRAW IT.

SHOULD THIS NOT SUCCEED, THE ROC AND WE WILL TRY TO ASSURE THAT THE SAUDIS INTRODUCE A COUNTER-RESOLUTION AGAINST ANY EXPLUSION OR SIMILAR RESOLUTION. WE UNDERSTAND SAUDI ARABIA IS WILLING TO SPONSOR AN AMENDMENT RESOLUTION THAT WOULD REFER ANY ISSUE OF CHINA MEMBERSHIP TO THE IMF EXECUTIVE DIRECTORS FOR FURTHER STUDY. THE U.S. WOULD VOTE IN FAVOR OF SUCH A RESOLUTION.

THE U.S. WOULD ALSO FAVOR REFERRAL OF THE ISSUE TO THE JOINT PROCEDURES COMMITTEE IF OTHER APPROACHES TO AVOID A FLOOR VOTE ON ROC MEMBERSHIP FAIL.

SHOULD THESE EFFORTS FAIL SO THAT A CHINA MEMBERSHIP RESOLUTION IS VOTED ON AT THE ANNUAL MEETING, THE U.S. WOULD VOTE AGAINST A RESOLUTION TO EXPEL THE ROC FROM THE IMF. THE U.S. WOULD ABSTAIN ON ANY RESOLUTION THAT WOULD RECOGNIZE THE PRC NOT THE ROC AS THE GOVERNMENT REPRESENTING CHINA IN THE IMF, STATING THE THE UNITED STATES WOULD WELCOME THE PRC'S PARTICIPATION IN THE IMF UNDER THE TERMS OF THE ARTICLES OF AGREEMENT BUT
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BELIEVES PRC MEMBERSHIP SHOULD NOT BE AT THE EXPENSE OF PARTICIPATION OF THE ROC.

3. MEMBER COUNTRIES WHOSE GOVERNORS ARE OFFICERS OF THE BOARDS OF GOVERNORS AND MEMBERS OF THE JOINT PROCEDURES COMMITTEE.

CHAIRMEN SYRIAN ARAB REPUBLIC
VICE CHAIRMEN INDIA UPPER VOLTA
REPORTING MEMBER NETHERLANDS
DENMARK
DOMINICAN REPUBLIC
FRANCE
THE GAMBIA
GERMANY
INDIA

JAMAICA
JAPAN
LIBERIA
MEXICO
NETHERLANDS
PARAGUAY
SINGAPORE
SPAIN
SUDAN
SYRIAN ARAB REPUBLIC
THAILAND
TUNISIA
UNITED KINGDOM
UNITED STATES
UPPER VOLTA

4. DRAFT AMENDING COUNTER-RESOLUTION

WHEREAS THE GOVERNOR OF -----HAS PROPOSED THE FOLLOWING
DRAFT RESOLUTION:-----

NOW THEREFORE, THE BOARD OF GOVERNORS, NOTING THE
SAID DRAFT RESOLUTION, HEREBY NOTES THAT THE GENERAL
MATTER IS UNDER CONSIDERATION BY THE EXECUTIVE DIRECTORS
AND RESOLVES THAT THE EXECUTIVE DIRECTORS SHALL STUDY
THE ISSUES RAISED BY THE PROPOSAL TO (THE OPERATIONAL
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LANGUAGE OF THE MAIN RESOLUTION) AND REPORT THEREON TO
THE BOARD OF GOVERNORS.
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